



**FIRST THINGS FIRST**  
*Ready for School. Set for Life.*

**AGENDA ITEM:**

FY13 Fiscal Year End

FY14 Budget Update

FY 15 Budget Setting, Regional Allocations, and Statewide Funding Plan

**RECOMMENDATION(S):**

The Interim CEO recommends acceptance of the FY14 budget update. The Interim CEO also recommends approval of the FY15 budget including FY15 Regional Allocations, Statewide Funding Plan, and proposed Statewide and Regional allotments for evaluation as presented in this report.

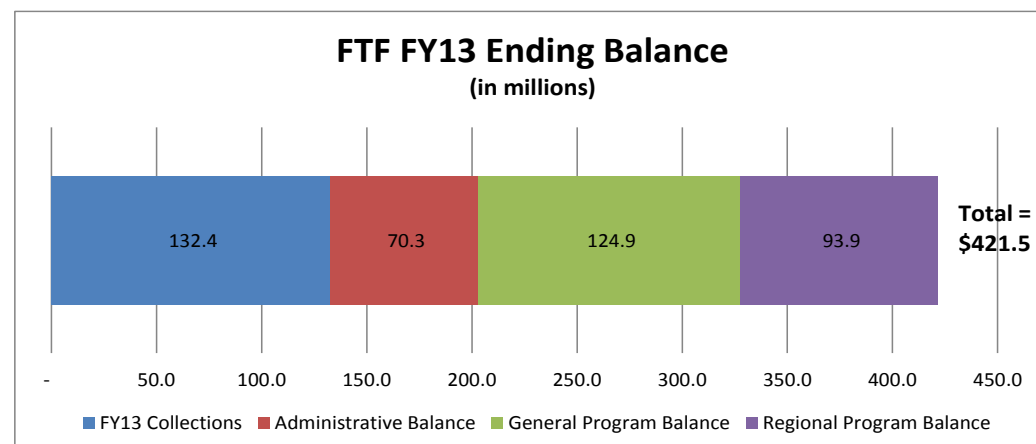
**DETAIL:****FY13 Fiscal Year End**

First Things First officially closed Fiscal Year 2013 on September 20, 2012. FTF presents its financial data on a modified accrued accounting basis to ensure revenues and expenditures aligned with the State's fiscal year as well as ensuring service data figures correlate appropriately with expenditures. This final reconciliation of the fiscal year has to occur in September due to grantees being given 45 days after the end of the State's fiscal year (June 30<sup>th</sup>) to submit their final reimbursement.

While FTF ended FY13 in a positive position in relation to the final approved budget, FY13 marks the second year in which total agency fund balance reduced some \$12.9 million.

Despite the overall drop in Fund Balance, the decline was not nearly as significant as what would have occurred had 100% of allotted budgets been successfully spent (particularly in the Program area). The actual reduction in Fund Balance was \$23.7 million less than budgeted.

Thus, FTF ended the fiscal year with \$421.5 million. Of this amount, \$132.4 million are current year collections which serve as the base for FY15's expenditure budget. This leaves a marginal Fund Balance of \$289.1 million of which \$70.3 million is in the Administrative Account, \$124.9 million is in the general Program Account, and \$93.9 million is held within regional Fund Balances.

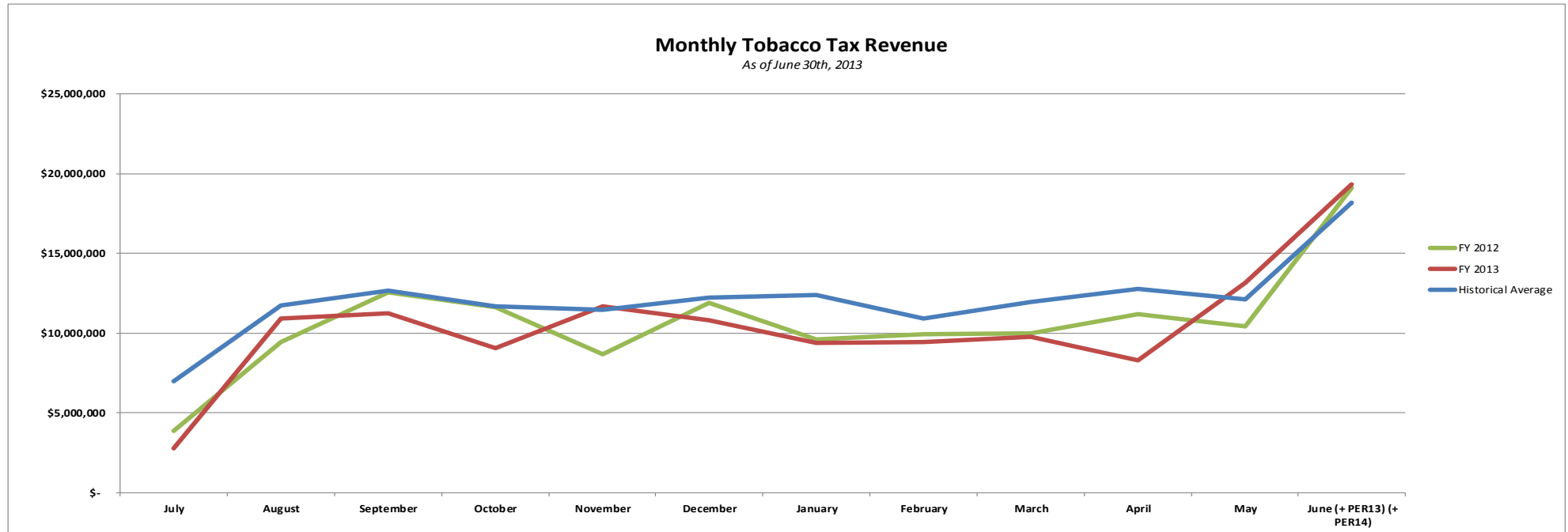


For the first time in FTF's history, regional Fund Balance declined in FY13. Although the absolute decline was small, the rate-of-change this decline represents when compared to prior years is significant.

Regional Carry Forward Growth		
	Marginal	Total
FY09 Carry Forward	-	-
FY10 Carry Forward	50,331,415	50,331,415
FY11 Carry Forward	38,621,957	88,953,372
FY12 Carry Forward	5,106,812	94,060,184
FY13 Carry Forward	(125,558)	93,934,626

As previously reported to the Board, FTF's FY13 collections were below projections, but still well within the boundaries of modeling done for FTF by ASU's College of Business. The following two charts provide monthly detail of these revenues. Final tobacco collections were about \$3.6 million higher than that predicted in the "lower" band in the ASU revenue study, but that was still \$8.1 million below the budget (or "expected" band).

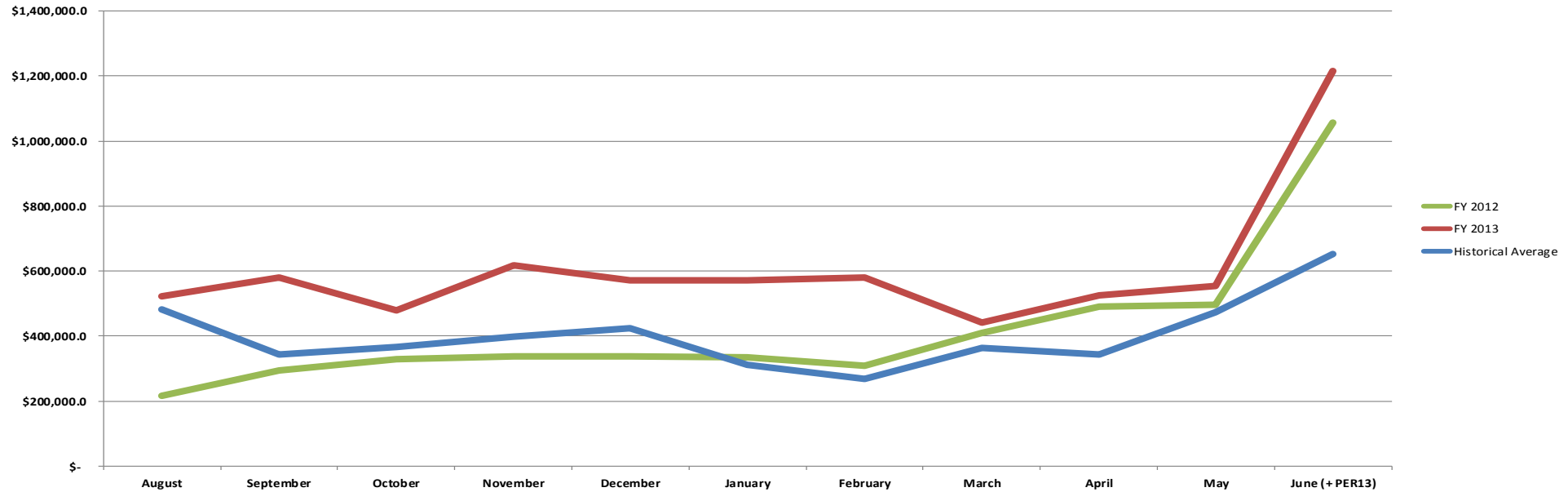
**FIRST THINGS FIRST - FY13**



Tobacco Tax Revenue Collection	Historical Average									
	Historical Average	FY10 Forward	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY2007	
July	\$ 6,958,531	\$ 3,175,411	\$ 2,800,664	\$ 3,851,571	\$ 3,073,465	\$ 2,601,198	\$ 13,072,609	\$ 12,193,815		
August	\$ 11,711,040	\$ 10,414,780	\$ 10,889,277	\$ 9,447,538	\$ 10,783,204	\$ 11,013,597	\$ 13,259,701	\$ 14,051,158		
September	\$ 12,637,916	\$ 11,147,310	\$ 11,222,789	\$ 12,563,346	\$ 10,929,997	\$ 9,948,588	\$ 13,692,552	\$ 16,055,097		
October	\$ 11,666,461	\$ 11,249,847	\$ 9,086,012	\$ 11,636,232	\$ 10,424,940	\$ 11,688,368	\$ 12,153,319	\$ 12,429,446		
November	\$ 11,488,230	\$ 10,259,854	\$ 11,696,889	\$ 8,677,824	\$ 10,687,793	\$ 11,413,943	\$ 13,071,452	\$ 13,590,137		
December	\$ 12,212,732	\$ 11,035,340	\$ 10,783,652	\$ 11,903,091	\$ 10,365,779	\$ 10,837,151	\$ 13,559,444	\$ 14,398,196		
January	\$ 12,372,738	\$ 11,003,062	\$ 9,370,625	\$ 9,609,307	\$ 12,480,361	\$ 10,919,518	\$ 14,579,373	\$ 14,275,133		
February	\$ 10,894,376	\$ 9,475,701	\$ 9,416,091	\$ 9,918,526	\$ 8,567,799	\$ 9,940,779	\$ 8,474,104	\$ 11,643,437	\$ 16,821,613	
March	\$ 11,951,215	\$ 10,665,512	\$ 9,746,264	\$ 9,977,560	\$ 11,398,336	\$ 10,620,639	\$ 13,132,772	\$ 13,900,273	\$ 12,677,711	
April	\$ 12,757,500	\$ 11,692,974	\$ 8,294,556	\$ 11,187,846	\$ 11,860,199	\$ 12,030,877	\$ 12,334,970	\$ 13,923,595	\$ 15,207,513	
May	\$ 12,117,043	\$ 11,006,412	\$ 13,131,721	\$ 10,412,306	\$ 10,963,454	\$ 11,643,476	\$ 10,951,777	\$ 14,917,645	\$ 13,813,602	
June (+ PER13) (+ PER14)	\$ 18,158,417	\$ 19,302,152	\$ 19,329,501	\$ 19,129,447	\$ 19,166,117	\$ 19,610,894	\$ 21,692,058	\$ 13,427,181	\$ 15,924,807	
	\$ 144,926,201	\$ 130,428,355	\$ 125,768,040	\$ 128,314,593	\$ 130,701,444	\$ 132,269,028	\$ 159,974,131	\$ 164,805,113	\$ 74,445,246	

**Note:** Total FY07 and FY08 Tobacco Tax Revenue collected shown is according to the dates funds cleared the state's accounting system. FY09 revenue in accordance to the state's accounting system was \$151,363,814  
Accrual basis accounting was started in FY10. Starting in FY09 period 13, revenues were adjusted to reflect Arizona Department of Revenue numbers.

Tobacco Tax Revenue Collection	FY 2013
Annual Collection Budget	\$ 133,849,000
YTD Collections	\$ 125,768,040
YTD Full Month as % of Budget	
FY-2012 Same % Compare	
FY-2011 Same % Compare	
FY-2010 Same % Compare	
FY-2009 Same % Compare	
FY10 Forward Avg of % Compare	
Collections Projection	
Difference From Budget	\$ (8,080,960)

**FIRST THINGS FIRST - FY13****Monthly Tobacco Tax Interest Income Revenue***As of June 30th, 2013*

Tobacco Interest Revenue Collection	Historical Average									
	Historical Average	FY10 Forward	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY2007	
July	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
August	\$ 483,231.2	\$ 570,294.9	\$ 523,159.0	\$ 215,461.5	\$ 271,832.6	\$ 1,223,590.7	\$ 502,912.0	\$ 202,359.5		
September	\$ 343,906.2	\$ 278,123.5	\$ 580,997.3	\$ 294,106.3	\$ 282,970.0	\$ 257,294.3	\$ 644,892.0	\$ 240,268.4		
October	\$ 367,627.0	\$ 274,007.5	\$ 479,332.2	\$ 328,827.0	\$ 259,133.0	\$ 234,062.4	\$ 626,736.0	\$ 389,376.7		
November	\$ 396,890.1	\$ 323,372.6	\$ 618,082.1	\$ 339,092.3	\$ 287,512.0	\$ 343,513.3	\$ 592,399.0	\$ 421,934.0		
December	\$ 423,069.6	\$ 293,530.9	\$ 572,923.8	\$ 338,579.6	\$ 239,389.1	\$ 302,623.9	\$ 636,611.0	\$ 598,144.5		
January	\$ 310,575.1	\$ 284,174.6	\$ 571,915.7	\$ 334,904.0	\$ 264,671.0	\$ 252,948.8	\$ 193,421.5	\$ 506,930.0		
February	\$ 268,490.8	\$ 260,487.6	\$ 580,520.6	\$ 308,587.0	\$ 224,468.5	\$ 248,407.4	\$ 144,280.0	\$ 416,711.0		
March	\$ 362,381.2	\$ 290,686.5	\$ 442,550.7	\$ 409,882.8	\$ 228,525.4	\$ 233,651.2	\$ 550,854.0	\$ 670,193.0	\$ 81,181.0	
April	\$ 342,203.8	\$ 348,197.9	\$ 526,434.1	\$ 489,935.8	\$ 270,845.9	\$ 283,812.0	\$ 321,359.0	\$ 644,756.0	\$ 42,514.0	
May	\$ 473,796.9	\$ 342,904.1	\$ 553,898.6	\$ 496,631.2	\$ 230,519.1	\$ 301,561.9	\$ 851,027.2	\$ 889,538.0	\$ 73,504.0	
June (+ PER13)	\$ 652,075.8	\$ 730,750.4	\$ 1,214,262.4	\$ 1,058,029.9	\$ 491,969.8	\$ 642,251.5	\$ 270,412.8	\$ 1,162,859.0	\$ 286,932.0	
	<b>\$ 4,424,247.8</b>	<b>\$ 3,996,530.3</b>	<b>\$ 6,664,076.5</b>	<b>\$ 4,614,037.4</b>	<b>\$ 3,051,836.3</b>	<b>\$ 4,323,717.3</b>	<b>\$ 5,334,904.5</b>	<b>\$ 6,143,070.1</b>	<b>\$ 484,131.0</b>	

**Note:** August '09 FY10 Interest Income spike is related to an accounting adjustment associated with FY09 and made by the Treasurer's office. Total FY10 Tobacco Tax Interest collected shown is according to the dates funds cleared the state's accounting system. Total FY10 Tobacco Tax Interest collected on an accrual basis comes to \$4,238,717.

Tobacco Interest Revenue Collection	FY 2013
Annual Collection Budget	\$ 6,082,892
YTD Collections	\$ 6,664,077
YTD Full Month as % of Budget	
FY-2012 Same % Compare	
FY-2011 Same % Compare	
FY-2010 Same % Compare	
FY-2009 Same % Compare	
FY10 Forward Avg of % Compare	
Collections Projection	
Difference From Budget	\$ 581,185

As previously noted regional carry forward did decline slightly. The following table provides detail as to Region's FY13 ending balances and how these balances changed from FY12.

These amounts will be added to the FY14 Board allocated amounts to provide each region their total means of financing for FY14. This total is detailed as part of the FY14 budget update.

Additional agency and regional detail are found in the following tables.

<b><i>FY13 Regional Fund Balance</i></b>				
	<b>FY12 Ending Balance</b>	<b>FY13 Ending Balance</b>	<b>FY13 Marginal Increase / (Decrease)</b>	<b>Percent Change</b>
Central Maricopa	6,996,086	\$6,237,290	(758,797)	-10.85%
Central Phoenix	8,504,489	\$9,654,739	1,150,250	13.53%
Central Pima	4,168,092	\$3,096,349	(1,071,743)	-25.71%
Cochise	2,187,916	\$2,310,653	122,737	5.61%
Coconino	1,513,544	\$1,671,736	158,192	10.45%
Cocopah Tribe	41,110	\$81,334	40,224	97.84%
Colorado River Indian Tribes	150,745	\$184,550	33,805	22.43%
Gila	553,258	\$609,371	56,114	10.14%
Gila River Indian Community	576,232	\$732,420	156,189	27.11%
Graham/Greenlee	554,224	\$640,426	86,202	15.55%
Hualapai Tribe	50,368	\$52,679	2,311	4.59%
La Paz/Mohave	2,344,073	\$2,764,476	420,403	17.93%
Navajo Nation	8,274,662	\$9,337,761	1,063,099	12.85%
Navajo/Apache	1,256,395	\$1,273,526	17,132	1.36%
North Phoenix	8,265,946	\$7,568,225	(697,721)	-8.44%
North Pima	1,233,243	\$519,903	(713,340)	-57.84%
Northeast Maricopa	1,295,161	\$1,413,699	118,538	9.15%
Northwest Maricopa	6,375,868	\$5,953,881	(421,987)	-6.62%
Pascua Yaqui Tribe	257,096	\$275,043	17,946	6.98%
Pinal	5,611,466	\$5,440,945	(170,522)	-3.04%
Salt River Pima Maricopa Indian Community	359,624	\$404,649	45,025	12.52%
San Carlos Apache	1,021,517	\$1,120,234	98,717	9.66%
Santa Cruz	578,670	\$653,383	74,713	12.91%
South Phoenix	11,793,727	\$11,506,812	(286,915)	-2.43%
South Pima	4,069,807	\$3,604,344	(465,463)	-11.44%
Southeast Maricopa	5,500,174	\$5,526,304	26,130	0.48%
Southwest Maricopa	2,474,958	\$2,564,340	89,382	3.61%
Tohono O'odham Nation	1,211,987	\$1,382,671	170,683	14.08%
White Mountain Apache Tribe	752,896	\$1,013,967	261,071	34.68%
Yavapai	1,894,535	\$2,175,251	280,716	14.82%
Yuma	4,192,313	\$4,163,661	(28,652)	-0.68%
	94,060,184	93,934,626	(125,558)	-0.13%

**FIRST THINGS FIRST**  
**FY13 Tobacco Tax All Funds Report**  
*As of June 30th, 2013*

UNAUDITED

	Agency			Administrative			Programs			Statewide			Regional		
	FY13 Budget			FY13 Budget			FY13 Budget			FY13 Budget			FY13 Budget		
	(rv2)	Actuals	Difference	(rv2)	Actuals	Difference	(rv2)	Actuals	Difference	(rv2)	Actuals	Difference	(rv2)	Actuals	Difference
<b>Revenue</b>															
<b>Balance Forward</b>															
Organizational Fund Balance	\$ 189,516,255	\$ 189,516,255	\$ -	\$ 69,044,950	\$ 69,044,950	\$ -	\$ 120,471,305	\$ 120,471,305	\$ -						
Fund Balance Allocated	\$ 17,924,784	\$ 17,924,784	\$ -	\$ 1,034,784	\$ 1,034,784	\$ -	\$ 16,890,000	\$ 16,890,000	\$ -	\$ 1,689,000	\$ 1,689,000	\$ -	\$ 15,201,000	\$ 15,201,000	\$ -
Regional Programs Carry Forward	\$ 94,060,184	\$ 94,060,184	\$ -				\$ 94,060,184	\$ 94,060,184	\$ -				\$ 94,060,184	\$ 94,060,184	
<b>Previous Year's Revenue (FY12)</b>															
Allocated	\$ 132,800,000	\$ 132,800,000	\$ -	\$ 13,280,000	\$ 13,280,000	\$ -	\$ 119,520,000	\$ 119,520,000	\$ -	\$ 11,952,000	\$ 11,952,000	\$ -	\$ 107,568,000	\$ 107,568,000	\$ -
Unallocated	\$ 128,330	\$ 128,330	\$ -	\$ 12,833	\$ 12,833	\$ -	\$ 115,497	\$ 115,497	\$ -			\$ -			
<b>Total Means of Financing</b>	<b>\$ 434,429,553</b>	<b>\$ 434,429,553</b>	<b>\$ -</b>	<b>\$ 83,372,567</b>	<b>\$ 83,372,567</b>	<b>\$ -</b>	<b>\$ 351,056,986</b>	<b>\$ 351,056,986</b>	<b>\$ -</b>	<b>\$ 13,641,000</b>	<b>\$ 13,641,000</b>	<b>\$ -</b>	<b>\$ 216,829,184</b>	<b>\$ 216,829,184</b>	<b>\$ -</b>
<b>Annual Expenditures</b>															
Personal Services	\$9,766,555	\$8,678,175	\$1,088,380	\$8,104,356	\$7,063,083	\$1,041,273	\$1,662,199	\$1,615,092	\$47,107	\$908,417	\$814,011	\$94,406	\$753,782	\$801,081	(\$47,299)
ERE	\$3,678,920	\$3,139,460	\$539,460	\$3,052,905	\$2,518,006	\$534,899	\$626,015	\$621,454	\$4,561	\$308,013	\$307,997	\$16	\$318,002	\$313,457	\$4,545
Travel In-State	\$560,055	\$371,516	\$188,539	\$330,842	\$319,936	\$10,906	\$229,213	\$51,581	\$177,632	\$10,255	\$13,005	(\$2,750)	\$218,958	\$38,575	\$180,383
Travel Out-of-State	\$84,348	\$74,432	\$9,916	\$73,443	\$64,682	\$8,761	\$10,905	\$9,750	\$1,155	\$10,905	\$6,294	\$4,611	\$0	\$3,456	(\$3,456)
Professional & Outside Services	\$4,783,285	\$2,790,050	\$1,993,235	\$676,909	\$1,015,063	(\$338,154)	\$4,106,376	\$1,774,987	\$2,331,389	\$1,801,490	\$442,120	\$1,359,370	\$2,304,886	\$1,332,868	\$972,018
Other Operating Expenditures	\$2,204,456	\$5,078,761	(\$2,874,305)	\$1,609,979	\$1,525,048	\$84,931	\$594,477	\$3,553,712	(\$2,959,235)	\$151,020	\$1,479,156	(\$1,328,136)	\$443,457	\$2,074,556	(\$1,631,099)
External Printing	\$62,215	\$82,020	(\$19,805)	\$62,215	\$71,069	(\$8,854)	\$0	\$10,951	(\$10,951)	\$0	\$1,006	(\$1,006)	\$0	\$9,944	(\$9,944)
Internal Printing	\$89,300	\$84,938	\$4,362	\$89,300	\$8,438	\$80,862	\$0	\$76,500	(\$76,500)	\$0	\$928	(\$928)	\$0	\$75,571	(\$75,571)
Aid to Organizations	\$154,902,210	\$124,478,242	\$30,423,968	\$0	\$16,013	(\$16,013)	\$154,902,210	\$124,462,229	\$30,439,981	\$10,350,400	\$6,291,447	\$4,058,953	\$144,551,810	\$118,170,782	\$26,381,028
Equipment	\$193,631	\$406,012	(\$212,382)	\$182,241	\$326,453	(\$144,213)	\$11,390	\$79,559	(\$68,169)	\$500	\$5,297	(\$4,797)	\$10,890	\$74,262	(\$63,372)
Transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Sub-Total</b>	<b>\$176,324,975</b>	<b>\$145,183,606</b>	<b>\$31,141,368</b>	<b>\$14,182,190</b>	<b>\$12,927,792</b>	<b>\$1,254,398</b>	<b>\$162,142,785</b>	<b>\$132,255,814</b>	<b>\$29,886,971</b>	<b>\$13,541,000</b>	<b>\$9,361,261</b>	<b>\$4,179,739</b>	<b>\$148,601,785</b>	<b>\$122,894,554</b>	<b>\$25,707,231</b>
One-Time Exps	\$132,594	\$109,233	\$23,361	\$132,594	\$109,233	\$23,361	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>	<b>\$176,457,569</b>	<b>\$145,292,839</b>	<b>\$31,164,729</b>	<b>\$14,314,784</b>	<b>\$13,037,025</b>	<b>\$1,277,759</b>	<b>\$162,142,785</b>	<b>\$132,255,814</b>	<b>\$29,886,971</b>	<b>\$13,541,000</b>	<b>\$9,361,261</b>	<b>\$4,179,739</b>	<b>\$148,601,785</b>	<b>\$122,894,554</b>	<b>\$25,707,231</b>
<b>Ending Balance</b>	<b>\$257,971,984</b>	<b>\$289,136,713</b>		<b>\$69,057,783</b>	<b>\$70,335,542</b>		<b>\$188,914,201</b>	<b>\$218,801,171</b>		<b>\$100,000</b>	<b>\$4,279,739</b>		<b>\$68,227,399</b>	<b>\$93,934,630</b>	
<b>Revenue (Tobacco + Interest)</b> (and \$733.29 of Misc Rev in Admn)	<b>\$139,931,892</b>	<b>\$132,432,850</b>		<b>\$13,993,189</b>	<b>\$13,243,945</b>		<b>\$125,938,703</b>	<b>\$119,188,905</b>							
<b>True Ending Fund Balance</b>	<b>\$397,903,876</b>	<b>\$421,569,563</b>		<b>\$83,050,972</b>	<b>\$83,579,487</b>		<b>\$314,852,904</b>	<b>\$337,990,076</b>							

**FY13 Program Expenditures**

Region	Base Allocation	FY12 Carry Forward	Total Allocation	Allotted	Unallotted Amount	% of Allocation Allotted	Awarded	Unawarded	Expended	Unexpended	Unawarded and Unexpended	% of Allotment Unawarded and Unexpended	FY13 Regional Ending Balance
State	\$13,641,000		\$13,641,000	\$13,541,000	\$100,000	99.3%	\$12,951,401	\$589,599	\$9,361,261	\$3,590,140	\$4,179,739	30.9%	
Central Maricopa	\$7,130,935	\$6,996,086	\$14,127,021	\$8,553,086	\$5,573,935	60.5%	\$8,512,619	\$40,467	\$7,889,731	\$622,888	\$663,355	7.8%	\$6,237,290
Central Phoenix	\$15,722,759	\$8,504,489	\$24,227,248	\$15,872,926	\$8,354,322	65.5%	\$15,822,957	\$49,969	\$14,572,509	\$1,250,447	\$1,300,417	8.2%	\$9,654,739
Central Pima	\$9,045,843	\$4,167,003	\$13,212,846	\$11,513,097	\$1,699,748	87.1%	\$11,339,244	\$173,853	\$10,116,496	\$1,222,748	\$1,396,601	12.1%	\$3,096,349
Cochise	\$2,572,050	\$2,179,185	\$4,751,235	\$3,425,156	\$1,326,079	72.1%	\$3,366,493	\$58,664	\$2,440,582	\$925,911	\$984,574	28.7%	\$2,310,653
Coconino	\$1,937,735	\$1,510,056	\$3,447,791	\$2,298,951	\$1,148,840	66.7%	\$2,238,837	\$60,114	\$1,776,055	\$462,782	\$522,896	22.7%	\$1,671,736
Cocopah Tribe	\$81,766	\$41,110	\$122,876	\$97,188	\$25,688	79.1%	\$97,188	\$0	\$41,542	\$55,646	\$55,647	57.3%	\$81,334
Colorado River Indian Tribes	\$227,338	\$151,082	\$378,420	\$257,485	\$120,935	68.0%	\$254,612	\$2,873	\$193,870	\$60,742	\$63,615	24.7%	\$184,550
Gila	\$611,099	\$553,258	\$1,164,357	\$823,392	\$340,965	70.7%	\$823,344	\$49	\$554,986	\$268,358	\$268,406	32.6%	\$609,371
Gila River Indian Community	\$964,265	\$576,232	\$1,540,497	\$914,514	\$625,983	59.4%	\$888,990	\$25,524	\$808,077	\$80,913	\$106,437	11.6%	\$732,420
Graham/Greenlee	\$764,389	\$549,970	\$1,314,359	\$1,028,657	\$285,702	78.3%	\$982,028	\$46,629	\$673,933	\$308,095	\$354,724	34.5%	\$640,426
Hualapai Tribe	\$114,391	\$50,365	\$164,756	\$156,518	\$8,238	95.0%	\$126,224	\$30,294	\$112,077	\$14,148	\$44,441	28.4%	\$52,679
La Paz/Mohave	\$3,897,043	\$2,340,171	\$6,237,214	\$4,616,793	\$1,620,421	74.0%	\$4,319,350	\$297,443	\$3,472,738	\$846,612	\$1,144,055	24.8%	\$2,764,476
Navajo Nation	\$4,224,298	\$8,274,661	\$12,498,959	\$5,200,495	\$7,298,464	41.6%	\$5,023,169	\$177,326	\$3,161,198	\$1,861,970	\$2,039,297	39.2%	\$9,337,761
Navajo/Apache	\$1,260,632	\$1,256,394	\$2,517,026	\$1,509,675	\$1,007,351	60.0%	\$1,504,557	\$5,118	\$1,243,500	\$261,057	\$266,175	17.6%	\$1,273,526
North Phoenix	\$8,859,186	\$8,265,947	\$17,125,133	\$11,212,957	\$5,912,176	65.5%	\$11,193,837	\$19,120	\$9,556,908	\$1,636,929	\$1,656,049	14.8%	\$7,568,225
North Pima	\$1,874,165	\$1,241,940	\$3,116,105	\$3,006,107	\$109,998	96.5%	\$2,964,713	\$41,394	\$2,596,202	\$368,511	\$409,905	13.6%	\$519,903
Northeast Maricopa	\$2,928,291	\$1,295,161	\$4,223,452	\$3,231,680	\$991,772	76.5%	\$3,193,229	\$38,451	\$2,809,753	\$383,476	\$421,927	13.1%	\$1,413,699
Northwest Maricopa	\$9,345,254	\$6,392,568	\$15,737,822	\$11,420,607	\$4,317,215	72.6%	\$10,907,288	\$513,319	\$9,783,941	\$1,123,348	\$1,636,666	14.3%	\$5,953,881
Pascua Yaqui Tribe	\$233,439	\$257,097	\$490,536	\$317,750	\$172,786	64.8%	\$310,146	\$7,604	\$215,493	\$94,652	\$102,257	32.2%	\$275,043
Pinal	\$5,075,389	\$5,611,466	\$10,686,855	\$6,244,649	\$4,442,206	58.4%	\$5,995,749	\$248,900	\$5,245,910	\$749,839	\$998,738	16.0%	\$5,440,945
Salt River Pima Maricopa Indian Community	\$319,265	\$359,624	\$678,889	\$361,168	\$317,721	53.2%	\$343,926	\$17,242	\$274,240	\$69,685	\$86,928	24.1%	\$404,649
San Carlos Apache	\$538,369	\$1,021,517	\$1,559,886	\$761,883	\$798,003	48.8%	\$634,027	\$127,856	\$439,652	\$194,376	\$322,231	42.3%	\$1,120,234
Santa Cruz	\$1,305,231	\$597,050	\$1,902,281	\$1,416,138	\$486,143	74.4%	\$1,408,727	\$7,411	\$1,248,898	\$159,829	\$167,240	11.8%	\$653,383
South Phoenix	\$14,111,127	\$11,780,976	\$25,892,103	\$18,139,005	\$7,753,098	70.1%	\$16,388,695	\$1,750,310	\$14,385,290	\$2,003,404	\$3,753,715	20.7%	\$11,506,812
South Pima	\$5,389,171	\$4,069,808	\$9,458,979	\$6,723,247	\$2,735,732	71.1%	\$6,719,791	\$3,456	\$5,854,634	\$865,157	\$868,613	12.9%	\$3,604,344
Southeast Maricopa	\$10,508,183	\$5,500,174	\$16,008,357	\$11,509,892	\$4,498,465	71.9%	\$11,451,829	\$58,063	\$10,482,052	\$969,777	\$1,027,840	8.9%	\$5,526,304
Southwest Maricopa	\$3,256,250	\$2,474,958	\$5,731,208	\$3,877,056	\$1,854,152	67.6%	\$3,659,034	\$218,022	\$3,166,867	\$492,167	\$710,189	18.3%	\$2,564,340
Tohono O'odham Nation	\$613,647	\$1,211,987	\$1,825,634	\$936,474	\$889,160	51.3%	\$570,163	\$366,311	\$442,964	\$127,199	\$493,510	52.7%	\$1,382,671
White Mountain Apache Tribe	\$698,834	\$752,896	\$1,451,730	\$775,055	\$676,675	53.4%	\$543,273	\$231,782	\$437,763	\$105,510	\$337,292	43.5%	\$1,013,967
Yavapai	\$3,897,571	\$1,894,536	\$5,792,107	\$4,410,952	\$1,381,155	76.2%	\$4,292,213	\$118,739	\$3,616,855	\$675,357	\$794,097	18.0%	\$2,175,251
Yuma	\$5,261,084	\$4,182,413	\$9,443,497	\$6,417,236	\$3,026,261	68.0%	\$6,068,559	\$348,677	\$5,279,836	\$788,723	\$1,137,400	17.7%	\$4,163,661
<b>Regional Sub-Total:</b>	<b>\$122,768,999</b>	<b>\$94,060,181</b>	<b>\$216,829,180</b>	<b>\$147,029,790</b>	<b>\$69,799,390</b>	<b>67.8%</b>	<b>\$141,944,809</b>	<b>\$5,084,981</b>	<b>\$122,894,554</b>	<b>\$19,050,255</b>	<b>\$24,135,236</b>	<b>16.4%</b>	<b>\$93,934,626</b>
<b>FTF Total:</b>	<b>\$136,409,999</b>	<b>\$94,060,181</b>	<b>\$230,470,180</b>	<b>\$160,570,790</b>	<b>\$69,899,390</b>	<b>69.7%</b>	<b>\$154,896,210</b>	<b>\$5,674,580</b>	<b>\$132,255,814</b>	<b>\$22,640,396</b>	<b>\$28,314,976</b>	<b>17.6%</b>	

Highlights from these tables include:

- Administrative expenditures coming in \$1.2 million below budget and on par with estimates provided to the Board at its June 2012 meeting.
- Program expenditures averaged over 83% of allotments to strategies, or said another way, over 17% of allotted funds went unspent.
- A majority of regional fund balance is a result of planned carry forward. Unallotted funds totaled \$69.8 million (74%) of the \$93.9 million carry forward.
- Predictability within individual “line-items” in the Program budgets continues to be a challenge as “historical” spending trend/patterns have not formed considering the continued evolving nature of programming, partners, and the method of grantee engagement. This is seen primarily in the Professional and Outside Services line item.

#### **FY14 Budget Update**

At the time of material preparation, FTF had closed two months in the current fiscal year (FY14). The major update to the FY14 budget relates to revenues; accounting for the draw on organizational Fund Balance to make up for lower than anticipated FY13 collections, as well as the overall FY13 carry forward balances.

The following two charts provide current budget detail. The first provides an agency summary. The second provides detail on how FY13 carry forward funds are added at a regional level to base allocations previously made by the Board, and where each region then stands in relation to this total means of financing for strategy allotments and awards.

In considering these balances, these dollars represent additions to the planning and budgeting work previously done by the regions and approved by the Board. Prior to this point, regions could only budget in FY14 those funds from FY13 which were unallotted (seen in table above).

As such, this adjustment makes approximately \$24.1 million new dollars available. However, the use of these in FY14 is subject to FY15 considerations discussed in the next section regarding the FY15 Budget.



FIRST THINGS FIRST  
FY14 -Tobacco All Funds Report  
(YTD as of August 31st, 2013)

	Agency										Admin										Programs									
	FY14 Budget		FY14 Budget		YTD	Difference	FY14 Budget		FY14 Budget		YTD	Difference	FY14 Budget		FY14 Budget		YTD	Difference												
	(Original)	Adj	(rv1 w/ 13 rev act)				(Original)	Adj	(rv1 w/ 13 rev act)				(Original)	Adj	(rv1 w/ 13 rev act)															
Revenue																														
Balance Forward																														
Organizational Fund Balance	\$	183,804,125	\$	(2,041,541)	\$	181,762,584		181,762,584	\$	68,478,522	\$	528,515	\$	69,007,037	\$	69,007,037	\$	115,325,603	\$	(2,570,056)	\$	112,755,548		112,755,548						
Fund Balance Allocated	\$	5,940,461	\$	7,499,775	\$	13,440,236		13,440,236	\$	579,261	\$	749,977	\$	1,329,238	\$	1,329,238	\$	5,361,200	\$	6,749,798	\$	12,110,998		12,110,998						
Regional Programs Carry Forward	\$	68,227,399	\$	25,707,227	\$	93,934,626		93,934,626	\$	-	\$	-	\$	-	\$	-	\$	68,227,399	\$	25,707,227	\$	93,934,626		93,934,626						
Previous Year's Revenue (FY13)																														
Allocated	\$	139,931,892	\$	(7,499,775)	\$	132,432,117		132,432,117	\$	13,993,189	\$	(749,977)	\$	13,243,212	\$	13,243,212	\$	125,938,703	\$	(6,749,798)	\$	119,188,905		119,188,905						
Unallocated	\$	-	\$	-	\$	-		-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-		-						
Total Means of Financing	\$	397,903,877	\$	23,665,686	\$	421,569,563		421,569,563	\$	83,050,972	\$	528,515	\$	83,579,487	\$	83,579,487	\$	314,852,905	\$	23,137,171	\$	337,990,076		337,990,076						
Annual Expenditures																														
Personal Services	\$	179,367,744	\$	(169,619,822)	\$	9,747,923		1,076,429	\$	8,671,494	\$	14,572,450	\$	(6,586,824)	\$	7,985,627	\$	942,315	\$	7,043,312	\$	164,795,294	\$	(163,032,998)	\$	1,762,296		134,114	\$	1,628,182
ERE		\$		3,710,249	\$	3,710,249		413,374	\$	3,296,875			\$		3,034,538	\$	357,372	\$	2,677,166			\$		675,711		56,002	\$	619,710		
Travel In-State	\$	-	\$	375,930	\$	375,930		30,821	\$	345,109			\$	368,680	\$	368,680		27,203	\$	341,477		-	\$	7,250		7,250		3,618		3,632
Travel Out-of-State	\$	-	\$	74,641	\$	74,641		83	\$	74,558			\$	70,641	\$	70,641		83	\$	70,558		-	\$	4,000		4,000		-		4,000
Professional & Outside Services	\$	-	\$	4,913,015	\$	4,913,015		8,402,297	\$	(3,489,282)			\$	1,062,406	\$	1,062,406		223,262	\$	839,144		-	\$	3,850,609		3,850,609		8,179,035		(4,328,426)
Other Operating Expenditures	\$	-	\$	1,935,644	\$	1,935,644		547,610	\$	1,388,034			\$	1,721,304	\$	1,721,304		239,091	\$	1,482,212		-	\$	214,340		214,340		308,518		(94,178)
External Printing	\$	-	\$	58,465	\$	58,465		65	\$	58,400			\$	58,465	\$	58,465			\$	58,465		-	\$	-		-		65		(65)
Internal Printing	\$	-	\$	89,300	\$	89,300		2,976	\$	86,324			\$	89,300	\$	89,300		2,976	\$	86,324		-	\$	-		-		-		-
Aid to Organizations	\$	-	\$	162,148,420	\$	162,148,420		19,970,383	\$	142,178,037			\$	-	\$	-		-	\$	-		-	\$	162,148,420		162,148,420		19,970,383		142,178,037
Equipment	\$	-	\$	975,491	\$	975,491		25,690	\$	949,801			\$	181,491	\$	181,491		25,690	\$	155,801		-	\$	794,000		794,000		-		794,000
Total Expenditures	\$	179,367,744	\$	4,661,332	\$	184,029,076		30,469,727	\$	153,559,349		14,572,450	\$	(3,034,538)	\$	14,572,450		1,817,992	\$	12,754,458		164,795,294	\$	3,985,621		169,456,626		28,651,735		140,804,891
Ending Balance	\$	218,536,133	\$	19,004,354	\$	237,540,487		391,099,836	\$	68,478,522		3,563,053	\$	69,007,037	\$	81,761,495			\$	150,057,611		19,151,550	\$	168,533,450		309,338,340				
Revenue (Tobacco + Interest)	\$	139,360,519	\$	(11,160,519)	\$	128,200,000		14,106,886	\$	13,936,052		(1,116,052)	\$	12,820,000		1,410,408			\$	125,424,467		(10,044,467)	\$	115,380,000		12,696,478				
True Ending Fund Balance	\$	357,896,652	\$	7,843,835	\$	365,740,487		405,206,721	\$	82,414,574		(587,537)	\$	81,827,037		83,171,903			\$	275,482,078		8,431,372	\$	283,913,450		322,034,818				

	Statewide Programs					Regional Programs				
	FY14 Budget	Adj	FY14 Budget	YTD	Difference	FY14 Budget	Adj	FY14 Budget	YTD	Difference
	(Original)		(rv1 w/ 13 rev act)			(Original)		(rv1 w/ 13 rev act)		
Revenue										
Balance Forward										
Organizational Fund Balance										
Fund Balance Allocated	\$ 536,120	\$ 674,980	\$ 1,211,100	\$ 536,120		\$ 4,825,080	\$ 6,074,818	\$ 10,899,898	\$ 10,899,898	
Regional Programs Carry Forward						\$ 68,227,399	\$ 25,707,227	\$ 93,934,626	\$ 93,934,626	
Previous Year's Revenue (FY12)										
Allocated	\$ 12,593,870	\$ (674,980)	\$ 11,918,891	\$ 11,918,891		\$ 113,344,833	\$ (6,074,819)	\$ 107,270,015	\$ 107,270,015	
Unallocated										
Total Means of Financing	\$ 13,129,990	\$ -	\$ 13,129,990	\$ 12,455,011	\$ -	\$ 186,397,312	\$ 25,707,226	\$ 212,104,538	\$ 212,104,538	\$ -
Annual Expenditures										
Personal Services	\$ 13,129,990	\$ (12,588,994)	\$ 540,996	\$ 30,904	\$ 510,092	\$ 151,665,304	\$ (150,444,004)	\$ 1,221,300	\$ 103,210	\$ 1,118,090
ERE		\$	235,719	13,321			\$	439,992	42,680	
Travel In-State	\$ 6,500	\$ 6,500	\$ 55	\$ 6,445	\$ 6,445	\$ 750	\$ 750	\$ 3,563	\$ (2,813)	\$ (2,813)
Travel Out-of-State	\$ 3,000	\$ 3,000	\$ -	\$ 3,000	\$ 3,000	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ 1,000
Professional & Outside Services	\$ 546,689	\$ 546,689	\$ 798,220	\$ (251,531)	\$ (251,531)	\$ 3,303,920	\$ 3,303,920	\$ 7,380,815	\$ (4,076,895)	\$ (4,076,895)
Other Operating Expenditures	\$ 107,170	\$ 107,170	\$ 293,075	\$ (185,905)	\$ (185,905)	\$ 107,170	\$ 107,170	\$ 15,443	\$ 91,727	\$ 91,727
External Printing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65	\$ (65)	\$ (65)
Internal Printing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aid to Organizations	\$ 11,609,416	\$ 11,609,416	\$ 16,499	\$ 11,592,917	\$ 11,592,917	\$ 150,539,004	\$ 150,539,004	\$ 19,953,885	\$ 130,585,119	\$ 130,585,119
Equipment	\$ 80,500	\$ 80,500	\$ -	\$ 80,500	\$ -	\$ 713,500	\$ 713,500	\$ -	\$ 713,500	\$ 713,500
Sub-Total	\$ 13,129,990	\$ (235,719)	\$ 13,129,990	\$ 1,152,074	\$ 11,755,518	\$ 151,665,304	\$ 4,221,340	\$ 156,326,636	\$ 27,499,661	\$ 128,429,663
Ending Balance	\$ -		\$ -	\$ 11,302,936		\$ 34,732,008		\$ 55,777,902	\$ 184,604,877	

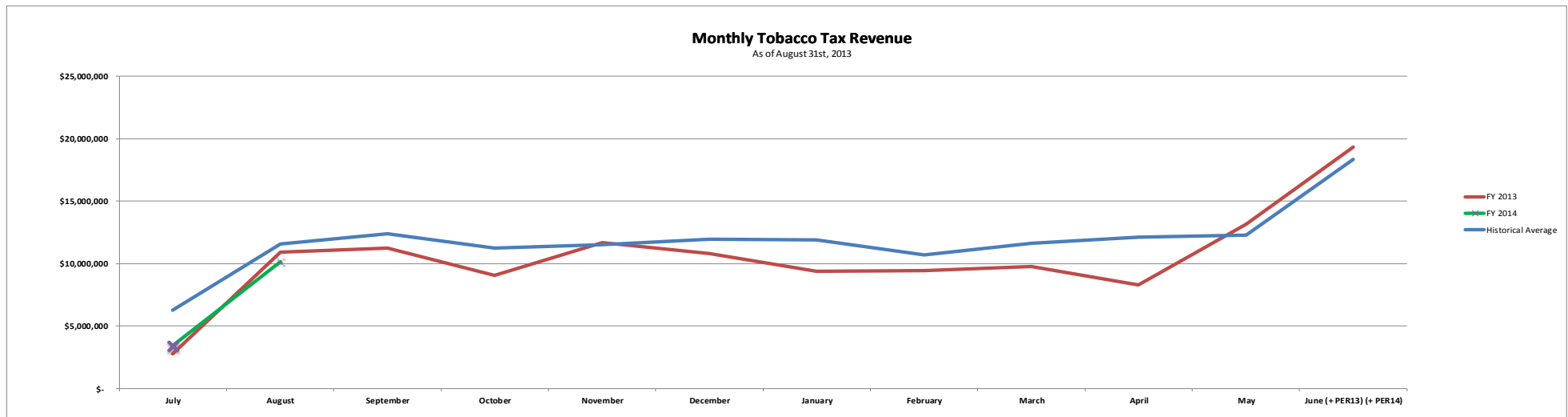
**FY14 Program Funding Plan Data**

Region	Base Allocation	FY13 Carry Forward	Total Allocation	Allotted	Unallotted Amount	% of Allocation Allotted	FYI on Current Statewide Eval Allotment	Awarded	Unawarded	% of Allotted Unawarded
State	\$13,129,990		\$13,129,990	\$13,129,990	-	100.0%	798,220	\$13,129,990	-	0.0%
Central Maricopa	\$6,100,533	\$6,237,290	\$12,337,823	\$9,265,167	\$3,072,656	75.1%	409,025	\$9,098,306	\$166,861	1.8%
Central Phoenix	\$10,175,357	\$9,654,739	\$19,830,096	\$15,336,687	\$4,493,409	77.3%	626,575	\$15,265,355	\$71,332	0.5%
Central Pima	\$9,147,280	\$3,096,349	\$12,243,629	\$10,674,101	\$1,569,528	87.2%	565,467	\$10,598,577	\$75,524	0.7%
Cochise	\$2,585,673	\$2,310,653	\$4,896,326	\$3,407,427	\$1,488,899	69.6%	136,996	\$3,401,053	\$6,374	0.2%
Coconino	\$2,374,725	\$1,671,736	\$4,046,461	\$2,789,325	\$1,257,136	68.9%	125,759	\$2,701,825	\$87,500	3.1%
Cocopah Tribe	\$67,959	\$81,334	\$149,293	\$91,229	\$58,064	61.1%	1,065	\$91,229	(\$0)	0.0%
Colorado River Indian Tribes	\$255,159	\$184,550	\$439,709	\$303,873	\$135,836	69.1%	13,648	\$303,395	\$478	0.2%
Gila	\$650,944	\$609,371	\$1,260,315	\$914,795	\$345,521	72.6%	34,439	\$838,117	\$76,678	8.4%
Gila River Indian Community	\$542,022	\$732,420	\$1,274,442	\$810,814	\$463,628	63.6%	32,805	\$810,130	\$684	0.1%
Graham/Greenlee	\$894,086	\$640,426	\$1,534,512	\$964,106	\$570,406	62.8%	47,196	\$929,773	\$34,333	3.6%
Hualapai Tribe	\$111,686	\$52,679	\$164,365	\$150,218	\$14,147	91.4%	2,633	\$150,218	-	0.0%
La Paz/Mohave	\$3,651,533	\$2,764,476	\$6,416,009	\$5,066,913	\$1,349,096	79.0%	193,948	\$4,802,305	\$264,609	5.2%
Navajo Nation	\$3,781,417	\$9,337,761	\$13,119,178	\$5,881,609	\$7,237,569	44.8%	202,332	\$4,513,038	\$1,368,571	23.3%
Navajo/Apache	\$1,481,891	\$1,273,526	\$2,755,417	\$1,775,184	\$980,233	64.4%	78,362	\$1,725,717	\$49,467	2.8%
North Phoenix	\$8,320,489	\$7,568,225	\$15,888,714	\$12,440,953	\$3,447,761	78.3%	547,358	\$12,381,163	\$59,790	0.5%
North Pima	\$2,886,734	\$519,903	\$3,406,637	\$3,112,541	\$294,096	91.4%	150,826	\$2,960,737	\$151,804	4.9%
Northeast Maricopa	\$2,622,513	\$1,413,699	\$4,036,212	\$3,438,964	\$597,248	85.2%	135,544	\$3,334,714	\$104,250	3.0%
Northwest Maricopa	\$10,288,818	\$5,953,881	\$16,242,699	\$12,014,457	\$4,228,242	74.0%	673,913	\$11,481,969	\$532,488	4.4%
Pascua Yaqui Tribe	\$213,476	\$275,043	\$488,519	\$356,750	\$131,769	73.0%	11,481	\$355,555	\$1,195	0.3%
Pinal	\$5,458,355	\$5,440,945	\$10,899,300	\$7,700,003	\$3,199,297	70.6%	369,785	\$7,675,394	\$24,609	0.3%
Salt River Pima Maricopa Indian Community	\$131,893	\$404,649	\$536,542	\$355,521	\$181,021	66.3%	8,456	\$187,369	\$168,152	47.3%
San Carlos Apache	\$690,165	\$1,120,234	\$1,810,399	\$891,777	\$918,622	49.3%	37,177	\$763,618	\$128,159	14.4%
Santa Cruz	\$1,221,849	\$653,383	\$1,875,232	\$1,469,880	\$405,352	78.4%	64,943	\$1,467,639	\$2,241	0.2%
South Phoenix	\$15,028,067	\$11,506,812	\$26,534,879	\$18,624,918	\$7,909,961	70.2%	929,920	\$17,873,105	\$751,813	4.0%
South Pima	\$5,149,138	\$3,604,344	\$8,753,482	\$7,293,847	\$1,459,635	83.3%	271,547	\$7,278,804	\$15,043	0.2%
Southeast Maricopa	\$10,377,396	\$5,526,304	\$15,903,700	\$12,911,396	\$2,992,304	81.2%	705,962	\$12,822,073	\$89,323	0.7%
Southwest Maricopa	\$4,206,967	\$2,564,340	\$6,771,307	\$5,077,451	\$1,693,856	75.0%	287,713	\$4,514,712	\$562,739	11.1%
Tohono O'odham Nation	\$558,804	\$1,382,671	\$1,941,475	\$1,438,765	\$502,710	74.1%	30,096	\$706,575	\$732,190	50.9%
White Mountain Apache Tribe	\$835,199	\$1,013,967	\$1,849,166	\$1,135,874	\$713,292	61.4%	44,857	\$503,853	\$632,021	55.6%
Yavapai	\$3,333,984	\$2,175,251	\$5,509,235	\$4,190,247	\$1,318,988	76.1%	176,917	\$4,104,309	\$85,938	2.1%
Yuma	\$5,025,798	\$4,163,661	\$9,189,459	\$6,441,844	\$2,747,615	70.1%	267,233	\$6,037,201	\$404,643	6.3%
<b>Regional Sub-Total:</b>	<b>\$118,169,910</b>	<b>\$93,934,626</b>	<b>\$212,104,536</b>	<b>\$156,326,636</b>	<b>\$55,777,900</b>	<b>73.7%</b>	<b>\$7,183,980</b>	<b>\$149,677,832</b>	<b>\$6,648,804</b>	<b>4.3%</b>
<b>FTF Total:</b>	<b>\$131,299,900</b>	<b>\$93,934,626</b>	<b>\$225,234,526</b>	<b>\$169,456,626</b>	<b>\$55,777,900</b>	<b>75.2%</b>	<b>\$7,982,200</b>	<b>\$162,807,822</b>	<b>\$6,648,804</b>	<b>3.9%</b>

The other important item related to the FY14 budget is relatively less aggressive tobacco collections being projected for the current year. These projections are still in line with the tax modeling work done by ASU's School of Business, but instead of being based on the "expected" figures they are based on the "lower" band. Based on these figures (\$125.8 million FY13 actuals and \$122.2 million FY14 budget), FTF is projecting a decrease (\$3.6 million) in collections next fiscal year, however it represents only a very moderate decrease over FY13's collection totals. While these estimates are always closely monitored, staff will be paying particular attention to monthly collections.

Due to accrued bookings only one month of interest revenues are in at this point (so no chart is provided), but the adjusted investment plan entered into with the Treasurer's Office continues to yield a much higher rate-of-return (as planned/anticipated). In this first month FTF received over a half-million dollars in interest earnings, and if yields continue at this rate, the annual earnings will be well within the projected \$6 million.

#### FIRST THINGS FIRST - FY14



Tobacco Tax Revenue Collection	Historical Average	Historical Average FY10 Forward	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY2007
July	\$ 6,265,554	\$ 3,081,724	\$ 3,431,905	\$ 2,800,664	\$ 3,851,571	\$ 3,073,465	\$ 2,601,198	\$ 13,072,609	\$ 12,193,815	
August	\$ 11,574,079	\$ 10,533,404	\$ 10,154,734	\$ 10,889,277	\$ 9,447,538	\$ 10,783,204	\$ 11,013,597	\$ 13,259,701	\$ 14,051,158	
September	\$ 12,402,062	\$ 11,166,180		\$ 11,222,789	\$ 12,563,346	\$ 10,929,997	\$ 9,948,588	\$ 13,692,552	\$ 16,055,097	
October	\$ 11,236,386	\$ 10,708,888		\$ 9,086,012	\$ 11,636,232	\$ 10,424,940	\$ 11,688,368	\$ 12,153,319	\$ 12,429,446	
November	\$ 11,523,006	\$ 10,619,112		\$ 11,696,889	\$ 8,677,824	\$ 10,687,793	\$ 11,413,943	\$ 13,071,452	\$ 13,590,137	
December	\$ 11,974,552	\$ 10,972,418		\$ 10,783,652	\$ 11,903,091	\$ 10,365,779	\$ 10,837,151	\$ 13,559,444	\$ 14,398,196	
January	\$ 11,872,386	\$ 10,594,953		\$ 9,370,625	\$ 9,609,307	\$ 12,480,361	\$ 10,919,518	\$ 14,579,373	\$ 14,275,133	
February	\$ 10,683,193	\$ 9,460,799		\$ 9,416,091	\$ 9,918,526	\$ 8,567,799	\$ 9,940,779	\$ 8,474,104	\$ 11,643,437	\$ 16,821,613
March	\$ 11,636,222	\$ 10,435,700		\$ 9,746,264	\$ 9,977,560	\$ 11,398,336	\$ 10,620,639	\$ 13,132,772	\$ 13,900,273	\$ 12,677,711
April	\$ 12,119,937	\$ 10,843,369		\$ 8,294,556	\$ 11,187,846	\$ 11,860,199	\$ 12,030,877	\$ 12,334,970	\$ 13,923,595	\$ 15,207,513
May	\$ 12,261,997	\$ 11,537,739		\$ 13,131,721	\$ 10,412,306	\$ 10,963,454	\$ 11,643,476	\$ 10,951,777	\$ 14,917,645	\$ 13,813,602
June (+ PER13) (+ PER14)	\$ 18,325,715	\$ 19,308,989		\$ 19,329,501	\$ 19,129,447	\$ 19,166,117	\$ 19,610,894	\$ 21,692,058	\$ 13,427,181	\$ 15,924,807
	\$ 141,875,089	\$ 129,263,276	\$ 13,586,639	\$ 125,768,040	\$ 128,314,593	\$ 130,701,444	\$ 132,269,028	\$ 159,974,131	\$ 164,805,113	\$ 74,445,246

**Note:** Total FY07 and FY08 Tobacco Tax Revenue collected shown is according to the dates funds cleared the state's accounting system. FY09 revenue in accordance to the state's accounting system was \$151,363,814. Accrual basis accounting was started in FY10. Starting in FY09 period 13, revenues were adjusted to reflect Arizona Department of Revenue numbers.

Tobacco Tax Revenue Collection	FY 2014
Annual Collection Budget	\$ 122,200,000
YTD Collections	\$ 13,586,639
YTD Full Month as % of Budget	11.1%
FY-2013 Same % Compare	10.9%
FY-2012 Same % Compare	10.4%
FY-2011 Same % Compare	10.6%
FY-2010 Same % Compare	10.3%
4 Yr Avg of % Compare	10.5%
Collections Projection	\$ 128,992,789
Difference From Budget	\$ 6,792,789

**FY15 Budget Setting**

At its August 2013 meeting, the Board directed staff to build the FY15 budget and set Regional and Statewide funding plan allocations according to the following guidelines:

1. Reduce FY14 tobacco collection projections (to be spent in FY15) from the amount reflected in the sustainability model to the lower range of the ASU tobacco tax model.
2. Offset reduced tobacco tax collections projections with organizational Fund Balances. Between the Program and Administrative funds this resulted in approximately \$12.5 million (\$11.6 and \$0.9 million respectively) in Fund Balance being used to support the FY15 base budget.
3. Add projected interest earnings in FY14.
4. Cover the budgeted increase of \$4.54 million in evaluation efforts with Fund Balance dollars, but adjust funding plan allotments so that the entire FY15 budget for Statewide Evaluation (as detailed in the National Panel Report) is funded.
5. Allocate the total sum of items 1 through 4 per the statutory funding waterfall.
6. Then for regional allocations distribute to the newly defined/approved regions according to child population that is zero through 5; based on the previously used 2010 census (and ACS) figures according to a regional mapping that relies on block and tract definitions used by census (as opposed to the zip code methodology previously used).

This results in a total FY15 allocation of \$145,269,700 in revenue (to the Admin and Program budgets). This total represents a \$600,000 less than the comparable figure for FY14. Of this total, \$14.9 million is directed towards the Administrative Account budget, and \$130.4 million to the Program Account budget.

**FIRST THINGS FIRST**  
**FY15 Tobacco Tax All Funds Report**  
As of September 24, 2012

UNAUDITED

	Agency			Admin			Programs			Statewide Programs			Regional Programs					
	FY14 Budget		FY15 Original	FY14 Budget		FY15 Original	FY14 Budget		FY15 Original	FY14 Budget		FY15 Original	FY14 Budget		FY15 Original			
	(rv1 w/ 13 rev act)	Adj	Budget	(rv1 w/ 13 rev act)	Adj	Budget	(rv1 w/ 13 rev act)	Adj	Budget	(rv1 w/ 13 rev act)	Adj	Budget	(rv1 w/ 13 rev act)	Adj	Budget			
Revenue																		
Balance Forward																		
Organizational Fund Balance	\$	181,762,585	\$	(17,069,700)	\$	164,692,885	\$	69,007,037	\$	(2,061,600)	\$	66,945,437	\$	112,755,548	\$	(15,008,100)	\$	97,747,448
Fund Balance Allocated	\$	13,440,236	\$	3,629,464	\$	17,069,700	\$	1,329,238	\$	732,362	\$	2,061,600	\$	12,110,998	\$	2,897,102	\$	15,008,100
Regional Programs Carry Forward	\$	93,934,626	\$	(38,156,724)	\$	55,777,902							\$	93,934,626	\$	(38,156,724)	\$	55,777,902
Previous Year's Revenue																		
Allocated	\$	132,432,118	\$	(4,232,118)	\$	128,200,000	\$	13,243,212	\$	(423,212)	\$	12,820,000	\$	119,188,906	\$	(3,808,906)	\$	115,380,000
Unallocated	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Total Means of Financing	\$	421,569,565	\$	(55,829,078)	\$	365,740,487	\$	83,579,487	\$	(1,752,450)	\$	81,827,037	\$	337,990,078	\$	(54,076,628)	\$	283,913,450
Annual Expenditures																		
Base	\$	184,029,076	\$	(3,054,566)	\$	180,974,510	\$	14,572,450	\$	309,150	\$	14,881,600	\$	169,456,626	\$	(3,363,716)	\$	166,092,910
One-Time Exps	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Total Expenditures	\$	184,029,076	\$	(3,054,566)	\$	180,974,510	\$	14,572,450	\$	309,150	\$	14,881,600	\$	169,456,626	\$	(3,363,716)	\$	166,092,910
Ending Balance	\$237,540,489	(\$52,774,512)	\$184,765,977	\$69,007,037	(\$2,061,600)	\$66,945,437	\$168,533,452	(\$50,712,912)	\$117,820,540									
Projected Rev (Tobacco + Interest)	\$128,200,000	\$0	\$128,200,000	\$12,820,000	\$0	\$12,820,000	\$115,380,000	\$0	\$115,380,000									
True Ending Fund Balance	\$	365,740,489	(\$52,774,512)	\$	312,965,977	\$	81,827,037	(\$2,061,600)	\$	79,765,437	\$	283,913,452	(\$50,712,912)	\$	233,200,540			

The regional allocations totaling the \$130.4 million are presented in the table below. Also reflected are the allotments to support the FTF's budget evaluation efforts in FY15.

Upon completion of the analysis the Board directed staff to assess, considering these givens, how many regions would potentially be in deficit by FY15 year's end, considering previously submitted FY15 funding plan projections. This analysis revealed that six (6) regions would potentially be in this position with a total projected deficit just under \$3.9 million.

Considering the Board's goal to reduce regional carry forward balances, in concert with the FY13 actuals, the recommendation to the Board is to not make an additional draw on Fund Balance to cover these potential deficits. The rationale for this recommendation is as follows:

1. The projected FY15 ending deficit is predicated on an assumption of perfect spending of all funds allotted in FY14 and FY15. Experience shows that it is very unlikely that perfect spending will be achieved. In fact, no region has ever achieved 100% spending of the funds its allotment in any year. As seen in the FY13 YE data above only three (3) regions were even within 10% of perfect spending.
2. Assuming that regions will not spend 10% of their currently allotted FY14 funds (a fairly conservative assumption given the data), and FY15 carry forward balances are increased accordingly, the number of regions with a projected deficit falls to two (2); with their combined projected deficit now only totaling around \$185,000.

## FY15 ALLOCATION

	Allocation of FY14 Projected Collections		Allocation of Draw on Organization Fund Balance	FY15 Base Allocation	FY15 Statewide Evaluation Allotments
	Pop	Disc	Other		
Cochise	1,463,546	837,003	253,828	2,554,377	174,591
Coconino	1,357,649	778,912	235,462	2,372,024	162,127
Cocopah	14,189	55,723	2,461	72,373	4,947
Colorado River Indian Tribes	161,664	87,973	28,038	277,675	18,979
East Maricopa	6,129,386	1,223,630	1,063,043	8,416,059	575,236
Gila	410,678	232,915	71,225	714,818	48,858
Gila River Indian Community	359,915	126,762	62,421	549,098	37,531
Graham/Greenlee	498,047	289,951	86,378	874,377	59,763
Hualapai Tribe	28,590	78,295	4,959	111,844	7,644
La Paz/Mohave	2,149,225	1,212,000	372,748	3,733,973	255,216
Navajo Nation	2,205,320	1,209,527	382,477	3,797,324	259,546
Navajo/Apache	862,404	495,178	149,570	1,507,152	103,013
Northwest Maricopa	7,398,344	1,834,349	1,283,123	10,515,817	718,754
Pascua Yaqui Tribe	124,971	66,827	21,674	213,473	14,591
Phoenix North	10,329,119	2,905,729	1,791,419	15,026,267	1,027,042
Phoenix South	11,940,642	3,739,906	2,070,912	17,751,460	1,213,309
Pima North	6,975,310	1,855,625	1,209,755	10,040,690	686,279
Pima South	3,595,310	2,058,143	623,548	6,277,001	429,032
Pinal	4,088,080	865,072	709,011	5,662,164	387,008
Salt River Pima Maricopa	84,879	21,237	14,721	120,837	8,259
San Carlos Apache	377,202	201,897	65,420	644,519	44,053
Santa Cruz	744,046	416,700	129,043	1,289,789	88,157
Southeast Maricopa	7,692,317	1,541,461	1,334,108	10,567,887	722,313
Southwest Maricopa	3,379,445	726,605	586,110	4,692,160	320,708
Tohono O'odham	295,858	158,526	51,312	505,695	34,564
White Mountain Apache	458,801	248,570	79,572	786,942	53,787
Yavapai	1,839,564	1,050,526	319,043	3,209,133	219,344
Yuma	2,917,001	1,641,457	505,907	5,064,366	346,148
<b>Regional Total</b>	<b>77,881,500</b>	<b>25,960,500</b>	<b>13,507,290</b>	<b>117,349,290</b>	<b>8,020,800</b>
<b>Statewide Total</b>	<b>-</b>	<b>11,538,000</b>	<b>1,500,810</b>	<b>13,038,810</b>	<b>891,200</b>
<b>FTF Total</b>	<b>77,881,500</b>	<b>37,498,500</b>	<b>15,008,100</b>	<b>130,388,100</b>	<b>8,912,000</b>

3. The remaining \$185,000 potential problem only becomes a real problem if perfect spending is then achieved in FY15. Given the historical data, this is very unlikely to happen. Meaning by FY15 year-end, all regions would end in a positive position.

4. If the spending assumptions outlined here prove to be high, there will be ample time and opportunity for the Board to draw-down Fund Balance should it become necessary.

This analysis reveals that the Regional Fund Balance will decline over the next two years, but by FY15, the total Regional carry forward will likely still be over \$50 million. Drawing down additional dollars to cover a planned deficit that is predicated on perfect spending will result in an FY15 Regional Fund Balance that is exactly that much higher than it would be otherwise.

Embedded within this recommendation is a general policy issue for the Board. To date, Regions have planned/budgeted using the unallotted amount from the previous year as the carry forward amount until actual expenditures are known. This method of budgeting ensures regions do not become over committed – a relatively conservative budgeting approach. The recommendation to the Board is a change to this policy in order for regions to make progress in spending down their carry forward balances which includes anticipating some amount of expenditure savings in their out-year planning. As such, it is recommended carry forward calculations/projections be updated to assume 10% of the current year's allotment will be available (along with the unallotted amount) in the next year's budget. Assuming this methodology, total means of financing for Regions in FY15 would be as follows (with FY14 allotment data as of 9/17/13).

#### FY15 Regional Total Means of Financing

(9/17/13 Anticipated)

	FY15 Base Allocation	FY14 Unallotted Carry Forward	FY14 Supplemental Carry Forward (10% of Allotted)	FY15 Anticipated Total Means of Financing
Cochise	2,554,377	1,488,899	340,743	4,384,019
Coconino	2,372,024	1,257,136	278,933	3,908,092
Cocopah	72,373	58,064	9,123	139,560
Colorado River Indian Tribes	277,675	135,836	30,387	443,898
East Maricopa	8,416,059	3,669,904	1,270,413	13,356,376
Gila	714,818	345,521	91,479	1,151,818
Gila River Indian Community	549,098	463,628	81,081	1,093,808
Graham/Greenlee	874,377	570,406	96,411	1,541,193
Hualapai Tribe	111,844	14,147	15,022	141,013
La Paz/Mohave	3,733,973	1,349,096	506,691	5,589,761
Navajo Nation	3,797,324	7,237,569	588,161	11,623,054
Navajo/Apache	1,507,152	980,233	177,518	2,664,903
Northwest Maricopa	10,515,817	4,228,242	1,201,446	15,945,505
Pascua Yaqui Tribe	213,473	131,769	35,675	380,916
Phoenix North	15,026,267	6,278,608	2,210,307	23,515,181
Phoenix South	17,751,460	9,572,522	2,429,949	29,753,932
Pima North	10,040,690	1,612,500	1,207,879	12,861,068
Pima South	6,277,001	1,710,760	900,170	8,887,931
Pinal	5,662,164	3,199,297	770,000	9,631,461
Salt River Pima Maricopa	120,837	181,021	35,552	337,410
San Carlos Apache	644,519	918,622	89,178	1,652,319
Santa Cruz	1,289,789	405,352	146,988	1,842,129
Southeast Maricopa	10,567,887	2,992,304	1,291,140	14,851,330
Southwest Maricopa	4,692,160	1,693,856	507,745	6,893,761
Tohono O'odham	505,695	502,710	143,877	1,152,281
White Mountain Apache	786,942	713,292	113,587	1,613,822
Yavapai	3,209,133	1,318,988	419,025	4,947,146
Yuma	5,064,366	2,747,615	644,184	8,456,165
<b>Regional Total</b>	<b>117,349,290</b>	<b>55,777,899</b>	<b>15,632,664</b>	<b>188,759,853</b>

## FIRST THINGS FIRST STATEWIDE FUNDING PLAN

Finally, in addition to approving the overall allocation for the statewide funding plan, the Board is also being asked to approve the strategy allotments for the statewide funding plan. The table below provides a view of the proposed FY15 Allotments as well as FY14's current Funding Plan for comparison purposes.

The proposed funded strategies remain fairly stable across years. The major exceptions to this are;

- \$100,000 reduction in the Capacity Building strategy. The current year allotment represents the final year of the original scope of work issued for this effort. However, the contract did allow for the possibility of a renewal in FY15. The results of the current efforts of the grantee, in combination with considerations about resources needs within the Statewide funding plan, will ultimately determine if offering a renewal option for the contract is appropriate. FTF Program staff will be central in this review.

	Fiscal Year 14		Fiscal Year 15
Total Allocation:	\$13,129,990		\$13,038,810
Strategy	Current Allotment	Award	Proposed Allotment
Capacity Building	\$300,000	\$300,000	\$200,000
Communities of Practice	\$122,927	\$122,927	\$100,000
Community Awareness	\$208,919	\$208,919	\$187,480
Community Outreach	\$139,081	\$139,081	\$160,520
Media	\$352,000	\$352,000	\$352,000
Statewide Evaluation	\$798,220	\$798,220	\$891,200
Birth to Five Helpline	\$100,000	\$100,000	\$100,000
Oral Health	\$150,000	\$150,000	\$75,000
Parent Kits - statewide	\$1,600,000	\$1,600,000	\$1,600,000
Quality First	6,384,063	6,384,063	6,384,760
Assesment	\$4,993,045	\$4,993,045	\$4,993,045
FTF Program Administration	\$536,963	\$536,963	\$537,660
Licencing (DHS)	\$854,055	\$854,055	\$854,055
QF Reserve	-	-	\$13,070
Scholarships TEACH	\$2,974,780	\$2,974,780	\$2,974,780
<b>Total Allotment:</b>	<b>\$13,129,990</b>	<b>\$13,129,990</b>	<b>\$13,038,810</b>
<b>Total Unallotted:</b>	<b>\$0</b>		<b>-</b>

- \$75,000 reduction in the Oral Health strategy. FY14 investment levels included development costs for creating and launching a web registry. The FY15 allotments represent a maintenance level budget for this effort, as FTF considers options regarding long-term placement of the web registry as well as continues to work with partners in refining the tool and its use by intended audiences.

In addition it is important to note the Quality First and TEACH strategies are currently showing no adjustment over FY14. It is anticipated that this will be brought back to the Board with an update to the overall Statewide funding plan once Regional funding plans are finalized and approved by the Board in January. The service levels included in these FY15 regional funding plans will drive the final allotment requirements for these strategies.